



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 11/12/2004

GAIN Report Number: VE4018

Venezuela

Coffee

Coffee Update

2004

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Report Highlights:

Venezuelan coffee production has been falling, as a consequence of the severe recession and devaluation in the last two years. The Venezuelan Government is launching an ambitious plan to boost coffee production by the end of 2007 in order to recover the sector.

Includes PSD Changes: No
Includes Trade Matrix: No
Semi-Annual Report
Caracas [VE1]
[VE]

The Venezuelan Government is launching a plan to boost coffee production as a part of its "endogenous" growth program.

The coffee plan was unveiled recently during President Chavez' regular Sunday radio and television broadcast "Hello President." He announced that the amount of land devoted to coffee production would be increased by 50,000 hectares to a total of 200,000 hectares by end of 2007.

The ambitious plan would be financed by a Special Fund set up by the government to channel funds from the state oil corporation, Petr6leos de Venezuela (PDVSA), to public sector development programs.

Representatives of the Ministry of Agriculture and Lands have expressed that Venezuela will invest \$ 156 million dollars with the objective of doubling coffee production by 2007. Increased production will allow exports to the United States and the European Union markets to resume by the end of next year.

Venezuela enjoys a small share of the global coffee market offering high quality fine washed, good washed and natural Arabica coffee varieties.

As reported in our GAIN VE4008 report, Venezuela produced 825,000 bags in the 2003/04 harvest. Consumption last year was approximately 650,000 bags and since February 2004 the Government stopped coffee exports in order to keep domestic supply. The current production is about 5.8 quintals (46 kg/quintal) per hectare, but the Government estimates that this number will increase around 10 percent for the 2004/05 harvest.

Some analysts have pointed out that international buyers will welcome more high quality Arabica in a market flooded by cheap coffee grains, and that with enough Government support, the correct conditions and a high quality product, Venezuela would find demand for its coffee. Still, some critics have said that the Government has not presented yet a serious proposal to stop the downfall of the coffee sector in the last twenty years.

There have not been much press coverage or information regarding the intent of the United States to rejoin the ICO. However some FAS/Caracas contacts have expressed that it could bring some important adjustments in relation to international prices, that is, coffee price increases.